I. PURPOSE AND SCOPE

This document provides guidelines to accurately record the value of assets held by the University of Houston, specifically the value of goods held by the University for resale, manufacture, or repair. To minimize the risk of loss of those assets, an inventory of goods must be conducted annually.

II. POLICY STATEMENT

This document sets forth guidelines for the University to follow in developing inventory procedures in accordance with this policy.

III. GENERAL PROVISIONS

A. Departments purchasing goods for the purpose of reselling those goods must record the value of goods held for resale in the University’s accounting system at the time of purchase. The value of these goods is an asset and will be classified in the appropriate account.

B. Departments selling goods are responsible for preparing entries to accurately record cost of goods sold (COGS) with the approval of General Accounting. Inventory on hand at the end of the fiscal year will be valued using the first in/first out (FIFO) inventory method, unless the department has a valid business purpose for using the last in/first out (LIFO) or average inventory method.

C. Goods held in inventory, judged to be obsolete, should be returned to the supplier for credit or replacement, if possible. If goods are rendered obsolete by the issuance of superseding versions, departments may offer the obsolete goods at a discounted price.
D. Each University department that maintains a stock of goods for resale must complete an inventory of goods held on the last business day of the fiscal year and submit the inventory report to General Accounting by the declared deadline. Alternate inventory dates, resulting from business practices, must be reported to General Accounting with the annual inventory report. Any variance in the quantity of goods on hand and those shown on the department’s inventory records must be reported as shrinkage and adjusted from the department’s cost of goods sold.

E. Each inventory will be completed by two University employees, or an independent company with expertise in conducting physical inventories, whose duties do not constitute a conflict of interest with the conducting of the inventory.

F. A complete inventory report includes:

1. A transmittal memo, approved by the responsible manager and certifying signature.

2. A request for adjustment to inventory.

3. A summary sheet with valuation of the goods held for resale.

4. The count sheets used in the conducting of the inventory, including the certification of those conducting the inventory.

5. A report of obsolete inventory items.

6. A location diagram of the stockrooms, storerooms, and/or sales areas where goods are held for resale.

7. A test for reasonableness of the inventory balance, comparing the inventory beginning balance, purchases, returns, and sales to the actual year-end balance.

G. The conducting of inventories is subject to observation and/or review by the University’s accounting offices and System Internal Auditing.
IV. REVIEW AND RESPONSIBILITY

Responsible Party: Associate Vice President for Finance

Review: Every three years, on or before March September 1

V. APPROVAL

________________________________________
Executive Vice President for Administration and Finance

________________________________________
President

Date of President’s Approval: ________________________________
Memorandum

TO: General Accounting

FROM: College/Division Administrator
Name of College/Division

DATE:

RE: Resale Inventory as of August 31, 20XX

The goods held for resale by the Department of ___(department name)___ as of August 31, 20XX was inventoried by ___(employee counting)___ and ___(employee recording)___ on ___(inventory date)___.

(Note: Additional paragraph is required if inventory date is other than August 3X, 20XX. This paragraph describes the steps that were taken to track receipt and/or sale of goods since the completion of the count. Attach additional statement if appropriate.)

Valuation Method Used: (FIFO, LIFO [explanation], Average [explanation])

My signature below indicates my review and approval of this inventory as an accurate report of the quantities and values of the items held by this department.

PS Cost Center and Account: ________________________________

Net Dollar Value of Ending consumable inventory: $ ________________________________

Attachments:

___________ Journal Entry

___________ Review of Inventory Reasonableness

# ______ Inventory Count Sheets

# ______ Inventory Summary Sheets

# ______ Obsolete Inventory Sheets

# ______ Inventory Diagram Sheets

Department Head Signature and Title

Date
Addendum B

Example Summary of Resale Inventory for End of Year
Fiscal Year 20XX

Department of ____________________________
Cost Center: ______________________________

<table>
<thead>
<tr>
<th>Stock/Item#</th>
<th>Description</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Total Value</th>
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<tbody>
<tr>
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</table>

Total Value (Of This Sheet): ____________

Post Inventory Adjustments:

Less Value of Obsolete Inventory for Items on This Sheet
(from Obsolete Inventory Adjustments Sheet) ____________

Net Value of Resale Inventory ____________
### Example Count of Resale Inventory for End of Year
**Fiscal Year 20XX-**

Department of ____________________________  
Cost Center: ______________________________

<table>
<thead>
<tr>
<th>Bldg</th>
<th>Room</th>
<th>Shelf/Area</th>
<th>Stock/Item#</th>
<th>Description</th>
<th>Quantity</th>
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Check Total: ____________________________
Addendum D

Example Resale Inventory for End of Year
Fiscal Year 20XX
Obsolete Inventory Adjustments

<table>
<thead>
<tr>
<th>Stock/Item#</th>
<th>Description</th>
<th>Explanation for Adjustment</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Total Value</th>
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</table>

Total Value of this sheet

Inventory Conducted by (signatures) Date(s)
Addendum E

Example Location Diagram

Inventory Location

Dept. ____________

Room ____________

Cost Center

Sales Counter (C)

Display #1 (D1)

Display #2 (D2)

Display #3 (D3)

Display #4 (D4)

Shelves 1 - 6 (S1 - S6)

Shelves 7 - 12 (S7 - S12)
Addendum F
Example Review of Inventory Reasonableness
As of: ___________

Department of ______________________________
Cost Center: ______________________________

1. Ending Inv. In PS GL @ 8/31/xx = Begin Inv @ 9/1/XX  ___________ A
2. Add: Purchases for Resale, 9/1/xx - 8/31/xx  ___________ B
3. Subtotal: Available Inventory  ___________ (A+B) =C
6. Calculated Inventory Value – 8/31/XX:  ___________ (C-D-E) = F
7. Actual Inventory 8/31/XX – From Actual Count  ___________ G
8. Variance  ___________ (F-G) = H

Calculation of COGS:

Explanation of variance:

Analysis prepared by: ______________________________
(signature, date)

Analysis approved by: ______________________________
(signature, date)
Addendum F (page 2)

Department of ____________________________

Cost Center: ______________________________

<table>
<thead>
<tr>
<th>Stock/Item #</th>
<th>Inventory @ 8/31/xx</th>
<th>Purchases 9/1/xx - 8/31/xx</th>
<th>Sales 9/1/xx - 9/31/xx</th>
<th>Disposals 9/1/xx - 8/31/xx</th>
<th>Calculated Inventory 8/31/xx</th>
<th>Actual Inventory 8/31/xx</th>
<th>Variance</th>
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</thead>
<tbody>
<tr>
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<td>A</td>
<td>B</td>
<td>C</td>
<td>D</td>
<td>E</td>
<td>F</td>
<td>G</td>
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